

Friday, 3 December 2010

cc: Finance & Admin
03/12/10
Sign F.T.

From:
David WW Olley,
PO Box 2108,
PORT MORESBY
National Capital District
PAPUA NEW GUINEA

RECEIVED
- 7 DEC 2010
12:24 pm
AMFD

Bob & Nancy
For your perusal.
Lorna circulate copy
to David, Merv, and
Winston.
3/12/10

Dr Billy Manoka PhD,
Commissioner and Chief Executive Officer,
Independent Consumer and Competition Commission,
1st Flor Garden City Complex,
Angau Drive,
BOROKO
National Capital District

Dear Dr Manoka,

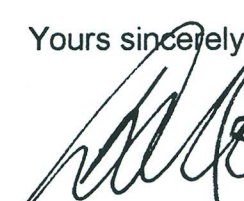

PROPOSED CODE SHARE ARRANGEMENTS BY AIR NIUGINI LIMITED

Further to my earlier letter dated today.

Have you investigated whether there is any link between:

- the proposal by PX to code share with QF on the POM/CNS Route; and
- the existing Code Share Arrangements between QF and PX on the POM/BNE and POM/SYD routes?

Yours sincerely,



David WW Olley B Bus F Fin

Date: 3/12/2010

Friday, 3 December 2010

Email is: davidolley@pngmail.net

Received by Finance & Admin
 Date: 03/12/10
 Sign: F.T.

From:

David WW Olley,
 PO Box 2108,
 PORT MORESBY 121
 National Capital District
 PAPUA NEW GUINEA

Dr Billy Manoka PhD,
 Commissioner and Chief Executive Officer,
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David
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Dear Dr Manoka,

PROPOSED CODE SHARE ARRANGEMENTS BY AIR NIUGINI LIMITED

I refer to a Notice you published in *The National* on 29 November 2010 at page 34.

I commented on this type of matter when I made a submission to the Commission's Inquiry into the Airline Industry some years ago. Some of my predictions then have come true.

As we have seen in recent years Airlines of PNG (APNG) has suffered on its international routes and plans since the arrival of larger and more dominant "outside service providers – Qantas and Virgin™".

APNG when it floated had the intention of using part of the proceeds from the IPO to purchase its own B737 for a POM/BNE service. Those plans (tested using Ozjet™ B737) were subsequently aborted when Virgin™ commenced operations on that route; APNG then entered into a Code Sharing arrangement with Virgin™.

When Qantas recently commenced its CNS/POM/CNS services, APNG quickly reduced services from 2 services a day to 2 services a week – a reduction of about 85%.

In my earlier submission I made the point that any break-up of the then existing Code Sharing Arrangements between Air Niugini and Qantas, would likely have severe adverse impacts on PNG "Home" Operators. This happened with APNG.

If the proposed Code Sharing between Air Niugini and Qantas on the POM/CNS Route is authorised, it might mean that APNG (or another PNG Operator – such as Hevilift™) has the opportunity to compete on that sector, or that a monopoly will arise.

DAVID W. W. OLLEY
 3 DEC 2010

I have mentioned Hevilift™ because I understand that Hevilift™ has taken delivery of two ATR-72 aircraft with the intention to introduce them soon on the North Queensland/PNG route. I believe that the aircraft will be registered on the "P2" Register.

However if that Proposed Code Sharing Arrangement between PX and QF on the POM/CNS Route is authorised and PX then withdraws its assets from the Route (to use them domestically or elsewhere), then there might be room for QantasLink (or another subsidiary of Qantas Airways Limited – e.g. Jetstar) to use larger assets (e.g. B737) on that route and increase both capacity and its dominant (monopolistic) position.

In such a case it would be unlikely that any current PNG Home Operator could compete against the Qantas Group on the CNS/POM Route.

As it stands at present PX and QF compete on the POM/CNS Route with similar size and serviceable aircraft and the Code Sharing arrangements proposed should not be allowed and you should leave current arrangements as they are.

The current arrangement where PX and QF compete on the CNS/POM Route provides good competition and any lessening of that competition would not be in the best interests of the customers.

So don't disturb the current arrangements – that's my view. Please don't put the beneficial competitive position and market at risk

It would be interesting to know what Qantas's current assessment of PNG is with regard to security of any QF aircraft that might be based here. At the moment the Qantaslink aircraft is based in Cairns and spends very little time on the ground in PNG. Flight Staff do not seem to leave the aircraft at JAX – except for the Inspections by the Cockpit Crew.

It would also be interesting to know if the Qantaslink Dash 8 Q400 aircraft refuels in POM or whether it brings sufficient fuel from CNS for the round trip.

Just before QF withdrew their own B767 services, some years back and entered into the Code Share Arrangements with PX on the main Australian sectors, they appeared to have instituted very stringent security precautions for their aircraft crew while on the ground at JAX. It seemed to me then that QF regarded JAX as an unsafe place.

Keep up the good work.

With best wishes,

Yours sincerely,


David WW Olley B Bus F Fin

